

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

*Lawton Fire Board*  
*Van Buren County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended February 28, 2005*

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## INDEPENDENT AUDITORS' REPORT

### Members of the Board Lawton Fire Board

We have audited the accompanying financial statements of the governmental activities and the major fund of the Lawton Fire Board (the Board), as of February 28, 2005, and for the year then ended, which collectively comprise the Board's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Lawton Fire Board, as of February 28, 2005, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 6, the Board has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of March 1, 2004.

The budgetary comparison information, on page 12, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Lawton Fire Board has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

*Siegfried Crandall P.C.*

August 3, 2005

## **BASIC FINANCIAL STATEMENTS**

**Lawton Fire Department Board of Commissioners**

**STATEMENT OF NET ASSETS**

February 28, 2005

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	<b><u>Governmental activities</u></b>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 78,688
Noncurrent assets:	
Capital assets (net of accumulated depreciation)	<u>1,092,408</u>
Total assets	<u>1,171,096</u>
<b>NET ASSETS</b>	
Invested in capital assets	1,092,408
Unrestricted	<u>78,688</u>
Total net assets	<u>\$ 1,171,096</u>

See notes to financial statements

**Lawton Fire Department Board of Commissioners****STATEMENT OF ACTIVITIES**

Year ended February 28, 2005

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	<u>Program Revenues</u>				<i>Net (expenses) revenues and changes in net assets</i>
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Governmental activities</u>
<b>Functions/Programs</b>					
Governmental activities:					
Public safety	<u>\$ 141,639</u>	<u>\$ -</u>	<u>\$ 129,000</u>	<u>\$ 213,453</u>	<u>\$ 200,814</u>
General revenues:					
Interest income					961
Other					<u>8,164</u>
Total general revenues					<u>9,125</u>
Change in net assets					209,939
Net assets - beginning					<u>961,157</u>
Net assets - ending					<u>\$ 1,171,096</u>

See notes to financial statements

**Lawton Fire Department Board of Commissioners**

**BALANCE SHEET**

February 28, 2005

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**ASSETS**

Cash	\$ 78,688
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**FUND BALANCE**

Unreserved	\$ 78,668
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Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

1,092,408
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Net assets of *governmental activities*

\$ 1,171,076
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See notes to financial statements



**Lawton Fire Department Board of Commissioners**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

*Year ended February 28, 2005*

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**REVENUES**

Local contributions	\$ 293,535
Federal grants	48,918
Interest	961
Other	<u>8,164</u>
Total revenues	<u>351,578</u>

**EXPENDITURES**

Public safety	60,835
Capital outlay	<u>304,986</u>
Total expenditures	<u>365,821</u>

<b>NET CHANGE IN FUND BALANCE</b>	<b>(14,243)</b>
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<b>FUND BALANCE - BEGINNING</b>	<u><b>92,931</b></u>
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<b>FUND BALANCE - ENDING</b>	<u><u><b>\$ 78,688</b></u></u>
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Net change in fund balance (above)	\$ (14,243)
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Amounts reported in the statement of activities (page 5) are different because:

Capital assets:

Assets acquired	294,699
Provision for depreciation	<u>(70,517)</u>

Change in net assets (page 5)	<u><u><b>\$ 209,939</b></u></u>
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*See notes to financial statements*

**Lawton Fire Board**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Lawton Fire Board (the Board), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

*a) Reporting entity:*

The accompanying financial statements present only the Board. There are no component units, entities for which the Board is considered to be financially accountable.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Board.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Items not properly included among program revenues are reported instead as general revenues.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Intergovernmental contributions, federal grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the Board's primary operating fund. It accounts for all financial resources of the Board, except those required to be accounted for in another fund. Revenues are primarily derived from contributions from local units.

**Lawton Fire Board**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). The Board has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

*ii) Capital assets* - Capital assets, which include property, vehicles and, equipment are reported in the government-wide financial statements. Capital assets are defined by the Board as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 50 years
Vehicles	5 - 20 years
Equipment	3 - 10 years

*iii) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

**Lawton Fire Board**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 3 - CASH:**

Deposits are carried at cost and are maintained at a financial institution in the name of the Board. State statutes and the Board's investment policy authorize the Board to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Board's deposits are in accordance with statutory authority. At February 28, 2005, the Board has deposits with a carrying amount of \$78,688 and a bank balance of \$88,219. Of the bank balance, \$88,219 is covered by federal depository insurance and \$-0- is uninsured.

**NOTE 4 - CAPITAL ASSETS:**

Capital asset activity for the year ended February 28, 2005, was as follows:

	<i><u>Beginning balance</u></i>	<i><u>Increases</u></i>	<i><u>Decreases</u></i>	<i><u>Ending balance</u></i>
Governmental activities:				
Capital assets being depreciated:				
Buildings and improvements	\$ 412,052	\$ -	\$ -	\$ 412,052
Vehicles	750,726	246,649	(25,000)	972,375
Equipment	<u>224,066</u>	<u>48,050</u>	<u>(1,396)</u>	<u>270,720</u>
Subtotal	<u>1,386,844</u>	<u>294,699</u>	<u>(26,396)</u>	<u>1,655,147</u>
Less accumulated depreciation for:				
Buildings and improvements	(57,754)	(8,241)	-	(65,995)
Vehicles	(366,564)	(34,804)	25,000	(376,368)
Equipment	<u>(94,300)</u>	<u>(27,472)</u>	<u>1,396</u>	<u>(120,376)</u>
Subtotal	<u>(518,618)</u>	<u>(70,517)</u>	<u>26,396</u>	<u>(562,739)</u>
Governmental activities capital assets, net	<u>\$ 868,226</u>	<u>\$ 224,182</u>	<u>\$ -</u>	<u>\$ 1,092,408</u>

Depreciation expense was charged to functions of the Board as follows:

Public safety    \$ 70,517

**NOTE 5 - RISK MANAGEMENT:**

The Board is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Board has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Lawton Fire Board**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 6 - CHANGE IN ACCOUNTING PRINCIPLES:**

Effective March 1, 2004, the Board implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustment to beginning net assets has been made to reflect the cumulative effect of this accounting change:

Net assets, as previously reported	\$ 92,931
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>868,226</u>
Net assets, as restated	<u>\$ 961,157</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Lawton Fire Department Board of Commissioners**

**BUDGETARY COMPARISON SCHEDULE**

Year ended February 28, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Local unit contributions:				
Township of Antwerp	\$ 69,209	\$ 158,584	\$ 159,448	\$ 864
Township of Porter	59,791	134,951	134,087	(864)
Federal grant - FEMA	45,000	45,000	48,918	3,918
Interest	800	800	961	161
Other	100	100	8,164	8,064
	<u>174,900</u>	<u>339,435</u>	<u>351,578</u>	<u>12,143</u>
Total revenues				
<b>EXPENDITURES</b>				
Public safety:				
Salaries and wages	5,150	5,150	4,756	394
Administration	3,700	3,700	3,800	(100)
Payroll taxes	395	395	788	(393)
Employee insurance	3,700	3,700	3,521	179
Office supplies	699	699	315	384
Uniforms	500	500	-	500
Operating supplies	7,580	7,580	6,101	1,479
Repairs and maintenance	17,000	13,500	11,021	2,479
Contracted services	2,600	2,600	2,350	250
Insurance	11,000	11,000	11,229	(229)
Public relations	6,000	6,000	6,192	
Education and training	2,500	2,500	913	1,587
Fuel	1,800	1,800	1,429	371
Dues	175	175	125	50
Telephone	1,000	1,000	769	231
Utilities	7,000	7,000	5,948	1,052
Mileage	200	200	456	(256)
Miscellaneous	1,501	1,501	1,122	379
	<u>72,500</u>	<u>69,000</u>	<u>60,835</u>	<u>8,165</u>
Total public safety				
Capital outlay	<u>101,500</u>	<u>357,000</u>	<u>304,986</u>	<u>52,014</u>
Total expenditures	<u>174,000</u>	<u>426,000</u>	<u>365,821</u>	<u>60,179</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 900	\$ (86,565)	\$ (14,243)	\$ (72,322)
<b>FUND BALANCE - BEGINNING</b>	<u>92,931</u>	<u>92,931</u>	<u>92,931</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>93,831</u>	<u>6,366</u>	<u>78,688</u>	<u>(72,322)</u>